
Audited Consolidated Financial Statements

Firebird Republics Fund, Ltd.

Year Ended December 31, 2021

With Report of Independent Auditors



FIREBIRD MANAGEMENT LLC

Firebird Republics Fund, Ltd.

Audited Consolidated Financial Statements

Year Ended December 31, 2021

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Report of Independent Auditors

The Board of Directors
Firebird Republics Fund, Ltd.

Opinion

We have audited the consolidated financial statements of Firebird Republics Fund, Ltd. (the “Fund”), which comprise the consolidated statement of assets and liabilities, including the consolidated condensed schedule of investments, as of December 31, 2021, and the related consolidated statements of operations, changes in net assets and cash flows for the year then ended, and the related notes (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund at December 31, 2021, and the results of its operations, changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund’s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

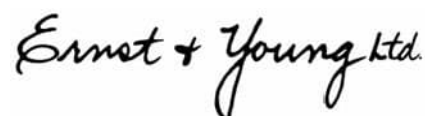
Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



March 31, 2022

Firebird Republics Fund, Ltd.

Consolidated Statement of Assets and Liabilities (Stated in United States Dollars)

December 31, 2021

Assets

Cash and cash equivalents	\$	2,357,455
Investments in securities, at fair value (cost \$104,599,470) (of which investments in securities with a cost of \$9,896,026 and fair value of \$51,064,041 are held for Firebird Republics SPV Ltd. under participation note)		247,641,043
Investments in other investment funds, at fair value (cost \$0)		205,811
Dividend receivable		1,043,645
Due from brokers		145,157
Receivable from investment fund		232,895
Other assets		29,493
Total assets		251,655,499

Liabilities

Due to Firebird Republics SPV Ltd. under participation note (<i>see Note 4</i>)		42,357,885
Due to brokers		148,898
Class A redemptions payable		3,576,154
Class M Allocation redemptions payable		600,198
Class A Allocation redemptions payable		25,236
Class B Allocation redemptions payable		831
Unrealized capital gains tax reserve (of which unrealized capital gains tax reserve of \$8,703,803 relates to investments in securities held for Firebird Republics SPV Ltd. under participation note)		9,148,408
Accounts payable and accrued expenses		216,658
Total liabilities		56,074,268
Net assets	\$	195,581,231

Net asset value per share

Class A Series 1 - 1 (based on 3,942.94 shares outstanding)	\$	1,570.96
Class A Series 1 - 2 (based on 153.63 shares outstanding)	\$	1,542.35
Class A Series 1 - 3 (based on 145.95 shares outstanding)	\$	1,537.06
Class A Series 1 - 4 (based on 521.42 shares outstanding)	\$	1,532.99
Class A Series 1 - 5 (based on 154.20 shares outstanding)	\$	1,528.65
Class A Series 1 - 6 (based on 36,161.08 shares outstanding)	\$	1,523.67
Class A Series 1 - 7 (based on 220.08 shares outstanding)	\$	1,523.66
Class A Series 1 - 8 (based on 676.32 shares outstanding)	\$	1,521.80
Class A Series 1 - 9 (based on 228.96 shares outstanding)	\$	1,518.72
Class A Series 1 - 10 (based on 811.30 shares outstanding)	\$	1,517.63
Class A Series 1 - 11 (based on 806 shares outstanding)	\$	1,517.52

Firebird Republics Fund, Ltd.

Consolidated Statement of Assets and Liabilities (continued)
(Stated in United States Dollars)

December 31, 2021

Class A Series 1 - 12 (based on 6,043.79 shares outstanding)	\$	1,517.29
Class A Series 2 - 1 (based on 504.04 shares outstanding)	\$	1,495.57
Class A Series 2 - 2 (based on 371.75 shares outstanding)	\$	1,482.33
Class A Series 2 - 3 (based on 2,130.33 shares outstanding)	\$	1,473.46
Class A Series 2 - 4 (based on 51.47 shares outstanding)	\$	1,455.42
Class A Series 2 - 5 (based on 295.81 shares outstanding)	\$	1,296.01
Class A Series 2 - 6 (based on 1.65 shares outstanding)	\$	1,296.00
Class A Series 2 - 7 (based on 4.96 shares outstanding)	\$	1,295.97
Class A Series 2 - 8 (based on 0.29 shares outstanding)	\$	1,287.33
Class A Series 2 - 9 (based on 0.30 shares outstanding)	\$	1,287.32
Class A Series 2 - 10 (based on 1.61 shares outstanding)	\$	1,287.31
Class A Series 2 - 11 (based on 56.59 shares outstanding)	\$	1,287.30
Class A Series 2 - 12 (based on 0.49 shares outstanding)	\$	1,287.29
Class A Series 2 - 13 (based on 0.81 shares outstanding)	\$	1,287.25
Class A Series 2 - 14 (based on 0.61 shares outstanding)	\$	1,277.42
Class A Series 2 - 15 (based on 0.99 shares outstanding)	\$	1,277.41
Class A Series 2 - 16 (based on 0.58 shares outstanding)	\$	1,277.40
Class A Series 2 - 17 (based on 143.48 shares outstanding)	\$	1,277.39
Class A Series 2 - 18 (based on 0.84 shares outstanding)	\$	1,277.38
Class A Series 2 - 19 (based on 84.73 shares outstanding)	\$	1,044.92
Class A Series 3 - 1 (based on 21.04 shares outstanding)	\$	1,549.82
Class A Series 3 - 2 (based on 56.11 shares outstanding)	\$	1,535.19
Class A Series 3 - 3 (based on 267.70 shares outstanding)	\$	1,534.60
Class A Series 3 - 4 (based on 32.75 shares outstanding)	\$	1,534.20
Class A Series 3 - 5 (based on 451.64 shares outstanding)	\$	1,528.25
Class A Series 3 - 6 (based on 77.36 shares outstanding)	\$	1,527.87
Class A Series 3 - 7 (based on 470.60 shares outstanding)	\$	1,526.23
Class A Series 3 - 8 (based on 90.26 shares outstanding)	\$	1,525.86
Class A Series 3 - 9 (based on 5,713.58 shares outstanding)	\$	1,480.33
Class A Series 3 - 10 (based on 7.30 shares outstanding)	\$	1,433.16
Class A Series 3 - 11 (based on 318.88 shares outstanding)	\$	1,280.29
Class A Series 3 - 12 (based on 39.01 shares outstanding)	\$	1,279.95
Class A Series 3 - 13 (based on 14.52 shares outstanding)	\$	1,271.10
Class A Series 3 - 14 (based on 100 shares outstanding)	\$	1,248.31
Class A Series 3 - 15 (based on 36.68 shares outstanding)	\$	1,185.81
Class A Series 3 - 16 (based on 9.05 shares outstanding)	\$	1,170.61

Firebird Republics Fund, Ltd.

Consolidated Statement of Assets and Liabilities (continued)
(Stated in United States Dollars)

December 31, 2021

Class A Series 3 - 17 (based on 2,000 shares outstanding)	\$	1,133.36
Class A Series 3 - 18 (based on 106.84 shares outstanding)	\$	1,132.37
Class A Series 3 - 19 (based on 225 shares outstanding)	\$	1,127.90
Class A Series 3 - 20 (based on 9.03 shares outstanding)	\$	1,044.92
Class A Series 3 - 21 (based on 500 shares outstanding)	\$	984.70
Class M Series 1 - 1 (based on 0.01 shares outstanding)	\$	295,830.50
Class M Series 1 - 2 (based on 0.03 shares outstanding)	\$	295,761.26
Class M Series 1 - 3 (based on 0.52 shares outstanding)	\$	2,167.21
Class M Series 1 - 4 (based on 17.29 shares outstanding)	\$	1,492.36
Class M Series 1 - 5 (based on 134.58 shares outstanding)	\$	1,276.27
Class M Series 1 - 6 (based on 35.05 shares outstanding)	\$	1,050.17
Class M Series 1 - 7 (based on 465,719.96 shares outstanding)	\$	207.70
Class A Allocation Shares Series 1 - 1 (based on 0.05 shares outstanding)	\$	239,438.22
Class B Allocation Shares Series 1 - 1 (based on 1.42 shares outstanding)	\$	1,752.94
Class M Allocation Shares Series 1 - 1 (based on 817.36 shares outstanding)	\$	3,286.17

See accompanying notes

Firebird Republics Fund, Ltd.

Consolidated Condensed Schedule of Investments
(Stated in United States Dollars)

December 31, 2021

Quantity	Fair Value	Percent of Net Assets
Investment in securities		
Equities:		
Common stock:		
Bulgaria:		
	\$	
Banking	63,643	0.03 %
Consumer Products	239,082	0.12
Pharmaceutical	3,706,748	1.91
Tourism	372,133	0.19
Total Bulgaria (cost \$2,639,434)	4,381,606	2.25
Estonia:		
Construction	5,826,219	2.98
Consumer Products	1,089,669	0.56
Food	523,161	0.27
Real Estate	1,019,716	0.52
Retail	2,508,086	1.28
Transportation	2,174,013	1.11
Total Estonia (cost \$6,173,761)	13,140,864	6.72
Georgia:		
Banking:		
481,527		
Bank of Georgia Group PLC	10,863,506	5.55
Consumer Products	2,034,886	1.05
Miscellaneous	6,127,942	3.13
Total Georgia (cost \$10,011,148)	19,026,334	9.73
Kazakhstan:		
Banking	3	0.00
Cement	3,212,072	1.64
Metallurgy & Mining	-	-
Oil & Gas	2,403,979	1.23
Telecommunications	5,755,150	2.94
Total Kazakhstan (cost \$8,949,627)	11,371,204	5.81

See accompanying notes

Firebird Republics Fund, Ltd.

Consolidated Condensed Schedule of Investments (continued)
(Stated in United States Dollars)

December 31, 2021

Quantity	Fair Value	Percent of Net Assets
Investment in securities (continued)		
Equities (continued):		
Common stock (continued):		
Kyrgyzstan:		
Metallurgy & Mining	\$ -	- %
Oil & Gas	-	-
Telecommunications	8,835	0.00
Utilities	41,823	0.02
Total Kyrgyzstan (cost \$300,592)	50,658	0.02
Lithuania:		
Banking	8,411,838	4.30
Construction	702,648	0.36
Retail	2,179,095	1.11
Total Lithuania (cost \$4,077,552)	11,293,581	5.77
Poland:		
Media and Entertainment	1,314,986	0.67
Total Poland (cost \$2,378,617)	1,314,986	0.67
Romania:		
Aerospace	7,832,809	4.00
Banking:		
Banca Transilvania SA	9,890,961	5.06
Consumer Products	3,754,542	1.92
Oil & Gas	8,737,595	4.47
Transportation	525,678	0.27
Utilities	2,251,179	1.15
Total Romania (cost \$12,230,387)	32,992,764	16.87
16,680,837		

See accompanying notes

Firebird Republics Fund, Ltd.

Consolidated Condensed Schedule of Investments (continued)
(Stated in United States Dollars)

December 31, 2021

Quantity		Fair Value	Percent of Net Assets
Investment in securities (continued)			
Equities (continued):			
Common stock (continued):			
Russia:			
	Airlines	\$ 2,506,632	1.28 %
	Banking	9,803,762	5.01
	Gold	725,282	0.37
	Manufacturing	5,075,241	2.59
	Metallurgy & Mining	17,296,123	8.84
	Food	5,911,661	3.03
	Technology	8,299,330	4.24
	Stock Exchange	4,697,715	2.42
	Retail	1,290,036	0.66
	Oil & Gas:		
1,515,826	Gazprom Neft PJSC	10,978,581	5.61
	Other	7,767,359	3.97
	Total Oil & Gas	18,745,940	9.58
	Total Russia (cost \$37,860,161)	74,351,722	38.02
	Ukraine		
	Agriculture	32,622	0.02
	Total Ukraine (cost \$315,470)	32,622	0.02
	Total common stock (cost \$84,936,749)	167,956,341	85.88
Depository receipts (includes ADRs and GDRs):			
Kazakhstan:			
	Banking:		
629,666	Halyk Saving Bank-GDR REG S	10,389,489	5.31
	Telecommunications	39	0.00
	Total Kazakhstan (cost \$293,429)	10,389,528	5.31
	Russia:		
	Banking:		
170,829	TCS Group Holding-GDR REG S	14,408,517	7.37
	Metallurgy & Mining	34,763	0.02
	Oil & Gas	717,350	0.36
	Retail	3,064,432	1.57
	Total Russia (cost \$7,634,726)	18,225,062	9.32
	Total depository receipts (cost \$7,928,155)	28,614,590	14.63

See accompanying notes

Firebird Republics Fund, Ltd.

Consolidated Condensed Schedule of Investments (continued)
(Stated in United States Dollars)

December 31, 2021

Quantity	Fair Value	Percent of Net Assets
Investment in securities (continued)		
Equities (continued):		
Preferred stock:		
Russia:		
Manufacturing (cost \$192,000)	\$ -	- %
Total preferred stock (cost \$192,000)	-	-
Restricted stock:		
Armenia:		
Gold	6,071	0.00
Total restricted stock (cost \$1,646,540)	6,071	0.00
Total equities (cost \$94,703,444)	196,577,002	100.51
Total investments in securities (cost \$94,703,444)	196,577,002	100.51
Investment in securities held for Firebird Republics SPV Ltd. under participation note		
Equities:		
Common stock:		
Kazakhstan:		
Oil & Gas:		
153,561 CNPC – Aktobemunaigas JSC	44,028,027	22.51
Total Kazakhstan (cost \$2,566,197)	44,028,027	22.51
Kyrgyzstan:		
Cement	2,325,048	1.19
Total Kyrgyzstan (cost \$645,034)	2,325,048	1.19

See accompanying notes

Firebird Republics Fund, Ltd.

Consolidated Condensed Schedule of Investments (continued)
(Stated in United States Dollars)

December 31, 2021

Quantity	Fair Value	Percent of Net Assets
Investment in securities (continued)		
Equities (continued):		
Russia:		
Banking	\$ 4,710,966	2.41 %
Total Russia (cost \$6,684,795)	4,710,966	2.41
Total common stock (cost \$9,896,026)	51,064,041	26.11
Total equities (cost \$9,896,026)	51,064,041	26.11
Total investment in securities held for Firebird Republics SPV Ltd. under participation note (cost \$9,896,026)	\$ 51,064,041	26.11 %
Total investment in securities including investments in securities held for Firebird Republics SPV Ltd. under participation note (cost 104,599,470)	\$ 247,641,043	126.62 %
Investment in other investment funds		
Estonia:		
Miscellaneous	205,811	0.11
Total Estonia (cost \$0)	205,811	0.11
Total investment in other investment funds (cost \$0)	\$ 205,811	0.11 %

See accompanying notes

Firebird Republics Fund, Ltd.

Consolidated Statement of Operations
(Stated in United States Dollars)

December 31, 2021

Investment income

Dividend income (net of dividend income of \$2,650,868 and withholding taxes of \$506,291 allocated to Firebird Republics SPV Ltd. under terms of participation note) (net of \$843,500 withholding taxes)	\$	8,125,167
Interest and other income		8
Total investment income		8,125,175

Expenses

Management fees		1,849,439
Professional fees and other		774,342
Custodian fees		302,968
Interest expense		5,545
Total expenses		2,932,294

Net investment income		5,192,881
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Net gain on investments and foreign currency transactions

Net change in unrealized capital gains tax reserve (net of \$804,289 decrease in unrealized capital gains tax reserve allocated to Firebird Republics SPV Ltd. under terms of participation note)		(42,123)
Net realized gain on foreign currency transactions (net of \$15,073 realized gain on foreign currency transactions allocated to Firebird Republic SPV Ltd. under terms of participation note)		2,015,091
Net change in unrealized appreciation on investments and foreign currency transactions (net of \$5,102,104 change in unrealized appreciation on investments and foreign currency transactions allocated to Firebird Republic SPV Ltd. under terms of participation note)		42,341,583
Net gain on investments and foreign currency transactions		44,314,551
Net increase in net assets resulting from operations	\$	49,507,432

See accompanying notes.

Firebird Republics Fund, Ltd.

Consolidated Statement of Changes in Net Assets
(Stated in United States Dollars)

Year Ended December 31, 2021

Increase in net assets resulting from operations

Net investment income	\$	5,192,881
Net change in unrealized capital gains tax reserve (net of \$804,289 decrease in unrealized capital gains tax reserve allocated to Firebird Republics SPV Ltd. under terms of participation note)		(42,123)
Net realized gain on investments and foreign currency transactions (net of \$15,073 realized gain on foreign currency transactions allocated to Firebird Republic SPV Ltd. under terms of participation note)		2,015,091
Net change in unrealized appreciation on investments and foreign currency transactions (net of \$5,102,104 change in unrealized appreciation on investments and foreign currency transactions allocated to Firebird Republic SPV Ltd. under terms of participation note)		42,341,583
Net increase in net assets resulting from operations		49,507,432

Decrease in net assets resulting from capital share transactions

Class A shares subscribed		2,717,423
Class M Shares subscribed		35,045
Class M Allocation Shares subscribed		1,000
Class A shares redeemed		(10,555,478)
Class M shares redeemed		(3,800,000)
Class A Allocation shares redeemed		(25,237)
Class B Allocation shares redeemed		(831)
Class M Allocation shares redeemed		(600,198)
Transfers from Class A allocation shares		(10,459)
Transfers from Class B allocation shares		(909)
Transfers to Class M shares		11,368
Performance allocation from Class A shares		(3,326,129)
Performance allocation to Class A Allocation shares		39,157
Performance allocation to Class B Allocation shares		3,405
Performance allocation to Class M Allocation shares		3,283,567
Net decrease in net assets resulting from capital share transactions		(12,228,276)

Net change in net assets		37,279,156
Net assets at beginning of year		158,302,075
Net assets at end of year	\$	195,581,231

See accompanying notes.

Firebird Republics Fund, Ltd.

Consolidated Statement of Cash Flows
(Stated in United States Dollars)

Year Ended December 31, 2021

Operating activities

Net increase in net assets resulting from operations	\$	49,507,432
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by operating activities:		
Net realized gain on investments		(2,054,127)
Net change in unrealized appreciation on investments		(47,443,621)
Purchases of investments		(5,832,517)
Proceeds from sales of investments		11,916,874
Changes in operating assets and liabilities:		
Due from brokers		199,238
Due to brokers		148,898
Dividends receivable		(898,915)
Receivable from investment fund		(232,895)
Other assets		(6,946)
Due to Firebird Republic SPV Ltd. under terms of participation note		4,310,973
Unrealized capital gains tax reserve		846,411
Accounts payable and accrued expenses		40,877
Net cash provided by operating activities		10,501,682

Financing activities

Drawdown of credit facility		4,057,088
Repayment of credit facility		(4,057,088)
Proceeds from issuance of Class A shares		2,717,423
Proceeds from issuance of Class M shares		35,045
Proceeds from issuance of Class M allocation shares		1,000
Payments for redemptions of Class A shares		(8,584,722)
Payments for redemptions of Class M shares		(5,300,000)
Net cash used in financing activities		(11,131,254)

Net change in cash and cash equivalents		(629,572)
Cash and cash equivalents at beginning of year		2,987,027
Cash and cash equivalents at end of year	\$	2,357,455

Supplemental disclosure of cash flow information

Cash paid during the year for interest		5,545
Non cash transfers during the year		497,767

See accompanying notes.

Firebird Republics Fund, Ltd.

Notes to Consolidated Financial Statements

Year Ended December 31, 2021

1. Organization

Firebird Republics Fund, Ltd. (the “Fund”) was incorporated as an exempted company under the laws of the Cayman Islands on January 22, 1997 and was registered under the Cayman Islands Mutual Fund Act on April 11, 1997. The Fund commenced operations on April 25, 1997. The purpose of the Fund is to invest primarily in publicly traded securities of companies operating in Russia, the other former Soviet republics, and certain Eastern European countries. The Class A shares of the Fund are listed on the Bermuda Stock Exchange.

Clairmont Holdings Ltd. (“Clairmont”) is a wholly owned subsidiary of the Fund and was incorporated as a limited liability company under the Companies Law, Cap. 113, of Cyprus on April 18, 1997. Clairmont owns shares of companies operating in Russia and various Eastern European countries.

Firebird Republics SPV Ltd. (the “SPV”) is a Cayman Islands exempt company which was incorporated on March 19, 2009, in order to hold illiquid assets of the Fund under a participation note dated March 31, 2009 (see Note 4).

The Fund’s investment advisor is Firebird Management, LLC (the “Advisor”), a New York limited liability company, which also acts as the investment advisor of the SPV. Certain of the principals of the Advisor are also directors of the Fund and of the SPV. The Advisor is a registered investment advisor with the United States Securities and Exchange Commission.

HedgeServ (Cayman) Ltd. (the “Administrator”) provides administration services to the Fund. The Harbour Trust Co. Ltd. maintains the registered office of the Fund and the SPV. Seaward Management Limited provides administration and management services to Clairmont and maintains its registered and regional office.

Firebird Republics Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

Year Ended December 31, 2021

2. Significant Accounting Policies

The consolidated financial statements of the Fund have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”) as detailed in the Financial Accounting Standards Board’s (“FASB”) Accounting Standards Codification (“ASC”) and are stated in United States Dollars. The Fund meets the definition of an investment company and follows the accounting and reporting guidance in ASC 946, *Financial Services – Investment Companies*. The following is a summary of the significant accounting and reporting policies used in preparing the consolidated financial statements.

Basis of Consolidation

The consolidated financial statements include the results of the Fund and its subsidiary Clairmont, after the elimination of all intercompany balances and transactions.

Cash, Cash Equivalents and Restricted Cash

Cash and cash equivalents include amounts due from banks on demand and deposits with original maturities of three months or less. Substantially all of the cash and cash equivalents are held at Swedbank AS and State Street Bank. All cash and cash equivalents are held at banks organized in the United States of America, Estonia, Georgia, Kazakhstan and Bulgaria. The Fund does not expect any material losses as a result of this allocation.

Cash and cash equivalents may be restricted if they serve as deposits for investments sold short. In addition, margin borrowings are collateralized by certain securities and cash balances held by the Fund. As of December 31, 2021, the Fund did not have any restricted cash.

Participation Note

Assets and liabilities for which all net proceeds are held by the Fund on behalf of the SPV under the terms of the participation note are disclosed in the consolidated statement of assets and liabilities, the consolidated condensed schedule of investments held for Firebird Republics SPV Ltd. under participation note, and in Note 4. Allocated changes in valuation of investments held by the Fund on behalf of the SPV under the terms of the participation note, and related allocated movements in the unrealized capital gains tax reserve on such investments, are disclosed on the consolidated statement of operations.

Firebird Republics Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

Year Ended December 31, 2021

2. Significant Accounting Policies (continued)

Security Transactions and Related Investment Income and Expenses

Security transactions are accounted for on a trade date basis. Realized gains and losses from investment transactions are determined using the specific identification method and are recorded in the consolidated statement of operations. Interest is recorded on the accrual basis and dividends are recorded net of withholding taxes on the ex-dividend date in the consolidated statement of operations.

Foreign Exchange Transactions

Assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at the date of the consolidated financial statements. Transactions in foreign currencies are translated at the rates of exchange prevailing at the time of the transaction. Exchange gains or losses are included in the consolidated statement of operations.

The Fund does not isolate that portion of gains and losses on investments which is due to changes in foreign exchange rates from that which is due to changes in market prices of the investments. Such fluctuations are included with the net realized and change in unrealized gains and losses on investments and foreign currency transactions.

Fair Value of Financial Instruments

The fair value of the Fund's assets and liabilities which qualify as financial instruments under Accounting Standards Codification Topic 825, *Financial Instruments*, approximates the carrying amounts presented in the consolidated financial statements.

Firebird Republics Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

Year Ended December 31, 2021

2. Significant Accounting Policies (continued)

Fair Value of Financial Instruments (continued)

In accordance with Accounting Standards Codification Topic 820, *Fair Value Measurements and Disclosures*, fair value is defined as the price that the Fund would receive to sell an investment or pay to transfer a liability under an orderly liquidation in a timely transaction with an independent buyer in the principal market or, in the absence of a principal market, the most advantageous market for the investment or liability.

ASC Topic 820 establishes a three-tier hierarchy to distinguish between inputs obtained from sources independent of the reporting entity that affect assumptions that market participants would use in pricing an asset or liability (observable inputs) and inputs that reflect the reporting entity's own assumptions that it thinks market participants would use in pricing an asset or liability developed based on the best information available in the circumstances (unobservable inputs) and to establish classification of fair value measurements for disclosure purposes. The inputs are summarized in the three broad levels listed below:

Level 1 – valuations based on quoted prices in active markets for identical assets or liabilities that the Fund has the ability to assess and in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Valuation adjustments and block discounts are not applied to Level 1 securities. Because valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these instruments does not entail a significant degree of judgment.

Level 2 – valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – valuations based on inputs that are unobservable and significant to the overall fair value measurement. These inputs may include the Advisor's own assumptions in determining the fair value of investments.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

Firebird Republics Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

Year Ended December 31, 2021

2. Significant Accounting Policies (continued)

Fair Value of Financial Instruments (continued)

In general, portfolio securities that are traded in an active market (in most cases a market where there has been at least one transaction in the last 15 business days and had at least 12 trading days in the recent month at sufficient volumes with reasonably consistent price levels taking into account the volatility of the market in question) are classified as Level 1. These securities are valued at their last reported sales price on the valuation date in the case of securities listed or quoted on a recognized securities exchange, the U.S. NASDAQ National Market List or any comparable foreign quotation system for securities that generally trade daily, or if no prices were quoted on such date, at the last reported sales price on the last prior date when a price was quoted for such securities.

If no such prices have been quoted in an active market, the investment is valued in good faith by the Advisor, in consultation with the Administrator, and approved by the Board of Directors, according to the steps outlined in ASC Topic 820. For these Level 2 or Level 3 securities, the Advisor may consult with and rely upon information provided by the Fund's custodians, market makers, brokers, and outside valuation services.

Level 2 securities will normally be priced using other observable information including identical or similar securities traded on other exchanges and quotations received from the counterparty, dealers, or brokers, whenever available and considered reliable. The Fund holds certain securities which are restricted under Rule 144A. Restricted securities are generally fair valued at a discount to similar publicly traded securities.

Investments in other investment funds that meet the definition of an investment company for which its net asset value or partners' capital has been measured in accordance with, or in a manner consistent with, the principles of ASC Topic 946, *Financial Services – Investment Companies*, are valued using the reported net asset value as a practical expedient.

Firebird Republics Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

Year Ended December 31, 2021

2. Significant Accounting Policies (continued)

Fair Value of Financial Instruments (continued)

The Fund's investments in other investment funds are generally valued at the reported values, provided by the administrator or management of the investment fund, after discounts for any applicable redemption charges and any lock up periods, which valuations are prepared in accordance with such investment fund's governing documents. The Advisor considers this a reliable representation of fair value if the investment fund is accepting subscriptions and processing redemptions based on this reported value. However, in certain circumstances, the Advisor will estimate the value of such investment based on available relevant information as it considers material.

The strategies of the other investment funds in which the Fund has a position are to invest into investments in the Baltic region. One of these investment funds is a private equity fund and distributions are received as assets are liquidated. The other investment fund has a redemption notice period of 30 days.

For Level 3 securities, the Advisor will value the equity securities using either a "market approach," an "income approach," or both approaches, as appropriate. The "market approach" uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. The "income approach" uses valuation techniques to convert future amounts (for example, cash flows or earnings) to a single present amount (discounted).

In following these approaches, the types of factors that may be taken into account include, as relevant: available current market data, including relevant and applicable market trading and transaction comparables, applicable market yields and multiples, the nature and realizable value of any collateral, the issuer of the security's ability to make payments, the issuer's earnings, discounted cash flows and net asset value analysis, the markets in which the issuer does business, comparisons of financial ratios of peer public companies, recent merger and acquisition transactions for comparable public or private companies, actual and imminent capital transactions in the subject investee company and the principal market for the relevant security, among other factors.

Firebird Republics Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

Year Ended December 31, 2021

2. Significant Accounting Policies (continued)

Fair Value of Financial Instruments (continued)

The Advisor and analysts monitor and review the valuation methodologies on a monthly basis. They use the latest available information to update the valuations each month. A Valuation Committee oversees the process and procedures for the valuation of the Level 3 investments in accordance with the valuation policy approved by the Board of Directors. The Valuation Committee meets on a quarterly basis or more frequently as required. It is comprised of staff of the Advisor and one Director, who is also a principal of the Advisor.

Because of the inherent uncertainty of valuation of securities and investment funds traded in emerging market economies (see Note 12), the estimated fair values may differ significantly from values that will eventually be realized upon an actual liquidation of the portfolio, and such differences could be material.

Use of Estimates

The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the amounts reported and disclosed in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Investment Classification

The industry and geographic classifications reflected in the consolidated condensed schedule of investments represent the Advisor's belief as to the most meaningful presentation of the classification of the principal business of the holdings in the portfolio.

Firebird Republics Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

Year Ended December 31, 2021

3. Financial Instruments

The following is a summary of the inputs used as of December 31, 2021, in valuing the Fund's investments, including the investments held by the Fund on behalf of the SPV under terms of participation note, carried at fair value, disaggregated by geographic region.

	Level 1 Quoted Prices in Active Markets for Identical Assets	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs	Fair Value December 31, 2021
Investments in securities: Equities and Depository receipts (includes ADRs and GDRs):				
Baltics:				
Estonia	\$ 3,193,729	\$ 9,555,589	\$ 391,546	\$ 13,140,864
Lithuania	11,293,581	-	-	11,293,581
Total Baltics	14,487,310	9,555,589	391,546	24,434,445
Central Asia:				
Kazakhstan	-	19,356,753	2,403,979	21,760,732
Kyrgyzstan	-	-	50,658	50,658
Total Central Asia	-	19,356,753	2,454,637	21,811,390
Eastern Europe:				
Armenia	-	-	6,071	6,071
Bulgaria	3,630,449	435,776	315,381	4,381,606
Georgia	16,991,448	-	2,034,886	19,026,334
Poland	-	1,314,986	-	1,314,986
Romania	-	32,343,945	648,819	32,992,764
Russia	61,277,798	25,015,815	6,283,171	92,576,784
Ukraine	-	-	32,622	32,622
Total Eastern Europe	81,899,695	59,110,522	9,320,950	150,331,167
Total investments in securities	\$ 96,387,005	\$ 88,022,864	\$ 12,167,133	\$ 196,577,002

Firebird Republics Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

Year Ended December 31, 2021

3. Financial Instruments (continued)

	Level 1 Quoted Prices in Active Markets for Identical Assets	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs	Fair Value December 31, 2021
Investments in securities held by the				
Fund on behalf of the SPV under terms of the participation note:				
Equities and ADRs:				
Central Asia:				
Kazakhstan	-	-	44,028,027	44,028,027
Kyrgyzstan	-	-	2,325,048	2,325,048
Total Central Asia	-	-	46,353,075	46,335,075
Eastern Europe:				
Russia	-	-	4,710,966	4,710,966
Total equities	-	-	51,064,041	51,064,041
Total investments in securities	\$ 96,387,005	\$ 88,022,864	\$ 63,231,174	\$ 247,641,043
Investments in other investment funds:				
Baltics:				
Estonia	-	-	205,811	205,811
Total investments in other investment funds	\$ -	\$ -	\$ 205,811	\$ 205,811

Firebird Republics Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

Year Ended December 31, 2021

3. Financial Instruments (continued)

The following is a reconciliation of investments in which significant unobservable inputs (Level 3) were used in determining value:

	Equities			Total
	Baltics	Central Asia	Eastern Europe	
Balance as at December 31, 2020	\$ 297,619	\$ 2,226,570	\$ 6,558,751	\$ 9,082,940
Net realized gain	-	-	-	-
Net change in unrealized appreciation	93,927	228,043	2,686,214	3,008,184
Purchases	-	24	75,985	76,009
Sales	-	-	-	-
Transfers from Level 3	-	-	-	-
Transfers into Level 3	-	-	-	-
Balance as at December 31, 2021	<u>\$ 391,546</u>	<u>\$ 2,454,637</u>	<u>\$ 9,320,950</u>	<u>\$ 12,167,133</u>

	Other Investments Funds Baltics
Balance as at December 31, 2020	\$ 197,269
Net realized gain (loss)	-
Net change in unrealized appreciation	8,542
Purchases	-
Sales	-
Balance as at December 31, 2021	<u>\$ 205,811</u>

Firebird Republics Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

Year Ended December 31, 2021

3. Financial Instruments (continued)

**Investments in Securities
Held by the Fund on Behalf of the SPV
Under Terms of Participation Note**

	Equities		
	Central Asia	Eastern Europe	Total
Balance as at December 31, 2020	\$ 41,153,055	\$ 4,808,881	\$ 45,961,936
Net realized loss	-	-	-
Net change in unrealized appreciation/(depreciation)	5,200,020	(97,915)	5,102,105
Sales	-	-	-
Balance as at December 31, 2021	\$ 46,353,075	\$ 4,710,966	\$ 51,064,041

Firebird Republics Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

Year Ended December 31, 2021

3. Financial Instruments (continued)

A quantitative disclosure of the unobservable inputs and assumptions for Level 3 securities has been provided in the table below.

Asset Class	Geographic Region	Fair Value as at December 31, 2021	Valuation Techniques	Unobservable Inputs	Ranges (Weighted Averages)
Equities	Baltics	\$ 391,546	Market comparable companies	Price/Book Value Ratio Enterprise Value/Sales Ratio Discount	1.5 0.4 20%
	Central Asia	2,344,367	Market comparable companies	Price/Earnings ratio Enterprise value/EBITDA Ratio Discount	5.7 3.6 25%
		110,270	Discounted cash Flows	Cost of capital	3.9%
	Eastern Europe	7,286,064	Latest Transaction		
		2,034,886	Market comparable companies	Enterprise value/EBITDA Ratio Price/Book Value Ratio Enterprise Value/Sales Ratio Price/Earnings ratio Discount Transaction Multiple	8.0-34.4 (32.7) 0.7-1.4 (0.9) 1.6-7.4 (7.0) 4.9 10.0-75.4% 0.8
		2,034,886	Quarterly 3 rd party net asset valuation		
Other investment funds	Baltics	\$ 205,811	Quarterly net asset valuation	Lock up discount	10%

Firebird Republics Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

Year Ended December 31, 2021

4. Participation Note

On March 31, 2009, the Fund entered into a participation note with the SPV under which the Fund agreed to pay to the SPV the net proceeds, as defined therein, received by the Fund with respect to certain designated investments and other receivables of the Fund, being about 38% of the net asset value of the Fund at that date. In return for this payment, the SPV issued participating shares to each of the shareholders of the Fund pro-rata to the value of their respective shareholdings of the Fund at that date. The net proceeds are defined as the cash received from dividends, interest, sale or other realization proceeds on each such designated investment, less (a) expenses incurred by the Fund in connection with the realization or receipt of such cash, (b) management fees and performance allocation due to the Advisor with respect to such designated investments and (c) any other expenses incurred by the Fund on behalf of the SPV.

5. Due from/to Brokers and Concentration of Credit Risk

Due from/to brokers generally includes amounts receivable or payable for securities transactions that have not been settled at the date of the consolidated financial statements and cash held at brokers for settled trades. The majority of publicly traded investments are held with Swedbank AS and State Street Bank. The Fund periodically monitors the credit standing of the brokers and does not expect any material losses as a result of default by brokers.

6. Share Capital

The Fund's authorized share capital is \$50,000 divided into 4,990,000 Class A and Class M Common shares and 10,000 Allocation shares each having a par value of \$0.01 per share. Outstanding Common and Allocation shares will participate in the assets of the Fund upon liquidation ratably in proportion to their respective redemption values. Each Common and Allocation shareholder is entitled to one vote for each \$1 of Net Asset Value on any matter presented to a meeting of shareholders.

Firebird Republics Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

Year Ended December 31, 2021

6. Share Capital (continued)

The Fund operates series of shares accounting methodology, as per the Memorandum and Articles of Association. Class A shares are issued and redeemed in accordance with the Memorandum and Articles of Association. At the end of each year, each shareholder pays a performance allocation equal to 20% of the net increase in the Net Asset Value of the shares held by that shareholder (see Note 8).

The Class A Allocation shares and Class B Allocation shares are owned by the principals and key employees, respectively, of the Advisor. These Allocation shares are not subject to management fees and will receive a performance allocation each year equal to 20% of the net increase in the Net Asset Value of each outstanding Class A Share (see Note 8).

Class M shares are only offered to employees of the Advisor, its affiliates and related persons, and are subject to the same rights, terms and conditions as the Class A shares except that Class M shares will not be subject to any management fee or performance allocation.

Share transactions for the year ended December 31, 2021, were as follows:

	Class A	Class M	Class A Allocation Shares	Class B Allocation Shares	Class M Allocation Shares
Shares outstanding at December 31, 2020	69,122.79	484,982.34	0.21	2.41	-
Shares issued	2,717.42	35.05	-	-	1,000.00
Shares redeemed	(7,775.86)	(19,110.51)	(0.12)	(0.47)	(182.64)
Shares exchanged	-	0.56	(0.04)	(0.52)	-
Shares outstanding at December 31, 2021	<u>64,064.35</u>	<u>465,907.44</u>	<u>0.05</u>	<u>1.42</u>	<u>817.36</u>

Firebird Republics Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

Year Ended December 31, 2021

7. Management Fees

Pursuant to the Memorandum and Articles of Association and the Management Agreement, the Fund pays the Advisor a management fee at an annual rate of 2.00% of the Class A net asset value calculated and payable quarterly in advance based on the Class A share of the Fund's net asset value (before accrual for performance allocation) as of the last business day of the preceding quarter. For the year ended December 31, 2021, the Fund recorded \$1,849,439 in management fees during the year.

Management fees are not charged to the Class M and Allocation shares shareholders. The Advisor may, in its discretion, waive all or a portion of the management fee with respect to any shareholder.

8. Performance Allocation

Pursuant to the Memorandum and Articles of Association and the Management Agreement, Allocation shares receive a performance allocation annually equal in the aggregate to 20% of the net increase each year in the Net Asset Value of each outstanding Class A Share (including net unrealized gains and losses) subject to a loss carryforward.

However, the performance allocation for Class A shareholders who also hold Participating shares in the SPV shall only be paid to the Allocation shares to the extent that the combined net gain for each such Class A shareholder on their shares in the Fund and their Participating shares in the SPV exceeds any loss carryforward or high watermark applicable to the relevant Class A shares in the Fund prior to the date of the participation note. In making this calculation, the appreciation of the Participating shares in the SPV reflects only realized gains on the sale or disposition of investments and other assets held under the terms of the participation note that have been or are being distributed to the shareholders of the SPV, thus excluding any unrealized appreciation on unsold investments while such investments are held within the SPV.

The Advisor may waive all or part of the performance allocation for certain investors. The performance allocation to the Allocation shares for the year ended December 31, 2021 was \$3,326,129. The performance allocation can be withdrawn at any time by the holders of the Allocation shares by way of distribution or redemption.

Firebird Republics Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

Year Ended December 31, 2021

9. Taxation

There is currently no taxation imposed on income or profits of the Fund by the Government of the Cayman Islands. If any form of taxation were to be enacted, the Fund has been granted an exemption therefrom until April 12, 2037.

The Fund is not subject to United States Federal, state or local taxation. The Fund reports tax information to its U.S. resident shareholders on the accrual basis. The Fund has elected to be treated as a partnership for U.S. Federal income tax purposes.

ASC Topic 740, *Income Taxes*, provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the consolidated financial statements. ASC Topic 740 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Fund's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. The Fund has adopted ASC Topic 740 and its impact is reflected in these consolidated financial statements.

Unrealized capital gains tax reserve is allocated by the Fund to the SPV on specific investments under the terms of the participation note.

The Fund recognizes interest and penalties, if any, as capital gains tax expense in the consolidated statement of operations. During the year, the Fund did not accrue any interest or penalties.

Tax accruals are calculated in local currencies. The effective rate to the Fund can exceed or be less than the applicable rates if the local currency has appreciated or depreciated against the US Dollar during the period of investment.

Tax legislation in all of the jurisdictions in which the Fund invests is subject to varying interpretations and changes, which can occur unexpectedly. The Advisor's interpretation of such legislation as applied to transactions and activities of the Fund and its subsidiaries since inception may be challenged by the relevant regional and federal authorities. It is not practical to determine the amount of unasserted claims that may manifest themselves, if any, or the likelihood of any unfavorable outcome thereof.

Firebird Republics Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

Year Ended December 31, 2021

9. Taxation (continued)

As at December 31, 2021, the Advisor has identified four investment holdings in Bulgaria, Georgia, and Kazakhstan which, under the current tax regulation in these jurisdictions, would be subject to income taxes on the investment gains realized for the period since purchase of the investment holdings to the date of realization. As such, the Advisor has accrued an income tax liability of \$9,148,408 (of which unrealized capital gains tax reserve of \$8,703,803 relates to investments in securities held for the SPV under participation note) with regard to such investment holdings, which is disclosed in the unrealized capital gains tax reserve in the consolidated statement of assets and liabilities. Should the fair value of the investment holdings identified change prior to the realization of the investment then the accrued income tax liability would be adjusted accordingly.

10. Derivative Financial Instruments

In the normal course of business, the Fund may enter into transactions involving derivative financial instruments in connection with its investing activities. These instruments are subject to various risks similar to non-derivative instruments, including market, credit, liquidity, and operational risks. The Fund manages these risks on an aggregate basis along with the risks associated with its investing activities as part of its overall risk management policies. The Fund does not distinguish derivative profit or loss from any other category of investments for consolidated statement of operations presentation purposes. No derivative positions were held during the year.

11. Related Party Transactions

In accordance with ASC Topic 850, *Related Party Disclosures*, related parties include principal ownership (defined to include investments where the Fund combined with funds under common control hold interests greater than 10%), associated companies (defined as investments where the Fund combined with funds under common control hold interests less than 10% and have members on the Board of Directors), and Affiliates. Affiliates are defined as other investment funds managed by the Advisor and related parties of the Advisor.

Firebird Republics Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

Year Ended December 31, 2021

11. Related Party Transactions (continued)

Outstanding balances at year-end and transactions with the SPV under the participation note during the year ended December 31, 2021, were as follows:

	Firebird Republics SPV Ltd.
Due to Firebird Republics SPV Ltd. under participation note as at December 31, 2020	\$ 38,046,912
Recognition of net change in unrealized capital gains tax liability on investments in securities held by the Fund on behalf of the SPV	(804,289)
Recognition of realized loss during the year on investments in securities held by the Fund on behalf of the SPV	–
Recognition of unrealized appreciation during the year on investments in securities held by the Fund on behalf of the SPV	5,102,104
Proceeds from sale of securities held by the Fund on behalf of the SPV	–
Decrease in payable held by the Fund on behalf of the SPV	13,158
Due to Firebird Republics SPV Ltd. under participation note as at December 31, 2021	\$ 42,357,885

Outstanding balances at year-end and transactions with these entities during the year were as follows:

	Principal Ownership		Associated Companies		Affiliates
Purchases of investments	\$ –	–	\$ –	–	\$ 200,022
Sales of investments	–		38,030		200,004
Realized gain/(loss)	–		(117,982)		39,749

Firebird Republics Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

Year Ended December 31, 2021

11. Related Party Transactions (continued)

Included in related parties are the following entities in which the Fund and Affiliates have a greater than 20% aggregate interest in the entity and/or a Director(s) seat is held.

<u>Name of Company</u>	<u>2021 Ownership by the Fund and Affiliates</u>	<u>2021 Investments Held by the Fund</u>	<u>Industry</u>
Amber Trust	3.01%	\$ 205,811	Miscellaneous
Arco Vara AS	6.27	1,019,716	Real Estate
Global Gold Corp	40.31	6,071	Gold
PR Foods	57.40	523,161	Food
Georgian Beverages Holdings	12.48	2,034,886	Consumer Products

All investments in the above companies are carried at fair value, as discussed in Note 2.

12. Investment Risks

The Fund's investments are based principally in the emerging economies of Russia, the other former Soviet republics, and other Eastern European countries (the "Target Region"). Therefore, they are subject to the risks inherent in those economies including, but not limited to:

- **Political Risk** Changes in government policy of countries in the Target Region (such as nationalization, expropriation or confiscatory taxation, currency blockage, political changes, government regulation, social instability or diplomatic developments) could adversely affect the economies of the countries in the Target Region. In addition, geopolitical conflicts between countries in the Target Region, or between such countries and Western countries, could lead to sanctions or other restrictions that could adversely affect existing and potential investment opportunities for the Fund;

Firebird Republics Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

Year Ended December 31, 2021

12. Investment Risks (continued)

- **Legal Risk** Many of the laws that govern private and foreign investment, securities transactions, creditors' rights and other contractual relationships in countries in the Target Region are relatively untested and not fully developed. As a result, the Fund may be subject to a number of unusual risks, including contradictory legislation, incomplete, unclear and changing laws, ignorance or breaches of regulations on the part of other market participants, lack of established or effective avenues for legal redress, lack of standard practices and confidentiality customs characteristic of developed markets, and lack of enforcement of existing regulations. There can be no assurance that difficulties in protecting and enforcing rights will not have a material adverse effect on the Fund and its operations. Laws and regulations of countries in the Target Region could change quickly and unpredictably and may impose restrictions or approvals that do not exist in countries with more developed market economies;
- **Market Risk** Stock prices are volatile and are affected by the real or perceived impacts of such factors as economic conditions and political events. The stock market tends to be cyclical, with periods when stock prices generally rise and periods where stock prices generally decline. Any given stock market segment may remain out of favor with investors for a short or long period of time, and stocks as an asset class may underperform bonds or other asset classes during some periods;
- **Exchange and Currency Risk** At present, some of the currencies of countries in the Target Region are not freely and fully convertible into other currencies or traded internationally. Currency exchange values are also subject to direct and indirect government controls. Such internal exchange markets can therefore be said to be neither liquid nor competitive. Historically, many currencies in the Target Region have experienced sharp devaluations relative to the U.S. dollar and other Western currencies. The value of investments in the Fund will be affected by fluctuations in the value of local currencies against the U.S. dollar or by changes in local exchange control regulations, tax laws, withholding taxes, and economic or monetary policies. Additionally, since several of the countries in the Target Region are either Eurozone members or have local currencies pegged to the Euro, fluctuations in the Euro's value against the U.S. dollar will affect the Fund. Adverse fluctuations in currency exchange rates can result in a decrease in net return and in a loss of capital. Accordingly, investors must recognize that the value of Class A, Class M Common shares and Allocation shares can fall as well as rise for this reason;

Firebird Republics Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

Year Ended December 31, 2021

12. Investment Risks (continued)

- **Investments through Subsidiaries** The Fund may make investments in portfolio companies through wholly-owned or jointly-owned subsidiaries under certain circumstances, for example to minimize exposure to certain taxes, to facilitate future sales of portfolio companies, or to facilitate an initial offering of stock of the holding company on an international stock exchange. These subsidiaries may have different depositaries, administrators and/or auditors than the Fund, or may have no such depositary, administrator or auditors. Therefore, the use of these subsidiaries may subject the Fund to additional risks that would not have been incurred if investments were made directly;
- **Illiquidity of Investments** Securities held by the Fund may be subject to greater price volatility than is usually the case with stocks in more developed markets, in some cases to a substantial degree. A limited number of issuers often represent a disproportionately large percentage of market capitalization and trading value in markets in the Target Region. Also, the Fund may invest in securities that are acquired from companies in offerings that are not registered under U.S. or other securities laws. Such securities may be illiquid, may not be actively and widely traded, may only be traded by a limited number of institutional investors, or may not be traded at all. Registered securities may also be “deregistered” after they are acquired by the Fund;
- **Settlement Risk** The clearing, settlement and registration systems through which transactions are executed and settled in certain countries in the Target Region are significantly less developed than those in more mature world markets. This can result in significant delays and other material difficulties in settling trades and in registering transfers of securities;
- **Quality of Information** Investors in the Target Region often have access to less reliable or less detailed information, including both general economic data and information concerning the operations, financial results, capitalization and financial obligations, earnings and securities of specific enterprises. The quality and reliability of information available to the Fund may, therefore, in some cases, be less than in respect of investments in Western countries;

Firebird Republics Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

Year Ended December 31, 2021

12. Investment Risks (continued)

- **Taxation in Target Region** Investments by the Fund in the Target Region will have differing tax consequences. Not all jurisdictions in the Target Region have tax treaties providing relief from capital gains or other taxes. Consequently, the Fund may be subject to substantial taxation in certain jurisdictions. In order to minimize the tax consequences of investments, the Fund may invest through the Subsidiary or create investment vehicles in other jurisdictions or make investments directly. Tax laws and administration in certain countries in the Target Region, however, are fluid and often capricious, and there can be no assurance that the Fund will be able to anticipate all taxes or will be able to create a structure to minimize taxes in any particular jurisdiction;
- **Accounting Practices** Accounting standards in many nations in the Target Region frequently do not correspond to international accounting standards or generally accepted accounting practices in all material respects. In addition, auditing requirements and standards may differ from those generally accepted in the international capital markets and, consequently, information available to investors in developed capital markets is not always obtainable in respect of companies in the Target Region;
- **Criminality** Organized crime and corruption, including extortion and fraud, remain common in many countries in the Target Region. Threats or incidents of crime may cause or force the Fund to cease or alter certain activities or liquidate certain investments, which may cause losses or otherwise have a material adverse effect on the Fund;
- **Coronavirus** The extent of the impact of the coronavirus (“COVID-19”) outbreak on the financial performance of the Fund’s investments will depend on future developments, including the duration and spread of the outbreak and related advisories and restrictions and the impact of COVID-19 on the financial markets and the overall economy, all of which are highly uncertain and cannot be predicted. If the financial markets and/or the overall economy are impacted for an extended period, the Fund’s investment results may be materially adversely affected.

Firebird Republics Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

Year Ended December 31, 2021

12. Investment Risks (continued)

The above risks are not unique in the context of emerging markets investing.

The Fund could be affected, for the foreseeable future, by these risks and their consequences, and the effects could be significant. The accompanying consolidated financial statements do not include any adjustments that may result from the future clarification of these uncertainties. Such adjustments, if any, will be reported in the Fund's consolidated financial statements in the period when they become known and estimable.

13. Indemnifications

The Fund enters into contracts that contain a variety of indemnifications. The Fund's maximum exposure under these arrangements is unknown. However, the Fund has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

14. Financial Highlights

Financial highlights for the year ended December 31, 2021, were as follows:

	<u>Class A</u>
Total return before performance allocation	30.77 %
Performance allocation	<u>(4.25) %</u>
Total return after performance allocation	<u>26.52 %</u>
Ratios to average shareholders' capital	
Total expenses before performance allocation	(2.55) %
Performance allocation	<u>(3.53) %</u>
Total expenses after performance allocation	<u>(6.08) %</u>
Net investment income	<u>1.84 %</u>

Firebird Republics Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

Year Ended December 31, 2021

14. Financial Highlights (continued)

Shares are issued within classes to each investor by series. These series are permanent and will remain outstanding until the investor fully redeems. As a result, the Fund presents financial highlights consistent with those presented for a partnership, which are ratios to average net assets and total return, but not per share data.

15. Credit Facilities

As of December 31, 2021, the Fund had a credit agreement (“Credit Facility”) with Swedbank AS, pursuant to which the Fund has granted security over its assets held at Swedbank AS in order to have access to funds on a short-term basis to fulfill redemption requests in limited circumstances, as determined by the Advisor. Pursuant to the terms of the Credit Facility, the Fund can borrow up to \$2,500,000. This line of credit is at market rates and as at December 31, 2021, there were no outstanding amounts due.

16. Subsequent Events

Management has evaluated events subsequent to year end through March 31, 2022, the date the consolidated financial statements were available to issue.

On February 25, Russia invaded Ukraine, which resulted in the U.S., EU, and U.K. imposing significant sanctions on Russia, its banks, companies, and leading businessmen. As of February 28, share trading on the Moscow Stock Exchange was suspended, and within a few days trading in Russian ADRs and GDRs also stopped. In response to the sanctions, Russia took actions including restricting trading by non-residents of Russia on the stock exchange and restricting the conversion of rubles into foreign currencies.

Given that a significant portion of the Fund’s net assets are in Russia, effective March 1, 2022, the Directors declared a suspension of:

- (a) the calculation and determination of the Net Asset Value per Share of all Shares; and
- (b) the issue and redemption of all classes of shares.

Firebird Republics Fund, Ltd.

Notes to Consolidated Financial Statements (continued)

Year Ended December 31, 2021

16. Subsequent Events (continued)

The Directors expect to lift the suspension of the calculation and determination of the Net Asset Value per Share of all Shares for March 31, 2022, but the suspension of the issue and redemption of all classes of shares will remain in effect because foreigners remain barred from trading on the Russian stock market.

The extent and impact of the war on the financial performance of the Fund's investments will depend on future developments, including the duration of the war and how it ends, which will determine the length of sanctions and the impact of the war on the financial markets and economies of Russia, Eastern Europe, and the world. All of this is highly uncertain. As of March 31, 2022, we estimate that the Fund is down more than 30% since year-end. If the financial markets and/or the economy are impacted for an extended period, the Fund's investment results may be further materially adversely affected.

During this period, the Fund recorded \$2,350,850 of subscriptions and \$2,487,822 of redemptions.